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Structuring the Service Encounter: A Test of Alternatives

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RESUMO/ABSTRACT

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Purpose – This paper analyses the influence of three different forms of structuring the service encounter (standardization, spontaneity, minimal structure) on the perception of service quality and job satisfaction.

Design/methodology/approach – A simulation of service interaction was elaborated, where individuals received different instructions related to the structure they should consider (standardization, spontaneity, minimal structure). This study was complemented by a correlational one that accessed the type of structure used and satisfaction with the service interaction.

Findings – The results suggest that higher levels of job satisfaction and service quality exist when minimal structures are used.

Research limitation/implications – The first part of the study is a simulation.

Practical implications – The findings help practitioners make more informed choices concerning the structures they adopt to manage service encounters.

Originality/value – The study empirically explores the application of minimal structures to the service encounter.

Keywords: Service quality, Customer satisfaction, Provider satisfaction, Service structures, Minimal structures

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A TEST OF ALTERNATIVES

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INTRODUCTION

The way companies manage service encounters and the way front-line employees deliver them influence customer perceptions of service quality (Svensson, 2006). Service structure, taken as the quantity and quality of instructions for managing a service encounter, can then be viewed as a relevant theme for both researchers and practitioners. Different organizations manage the process in distinct ways, with two constituting poles of the service encounter management process: tightly scripted standardization versus an informal/spontaneous approach.

We aim to study the differential impacts of service encounter structures and to test whether the introduction of a third type of structure, in addition to the two referred above, which we call minimal structures, results in an increase in perceptions of service quality. It is hypothesized that the use of minimal structures provides front-line employees with a synthesis of freedom and constraint which promotes the “quality cycle,” producing positive impacts in terms of service quality (Heskett *et al.*, 1994; Lovelock *et al.* Lewis, 1999; Zeithaml and Bitner, 1996).

With this goal in mind, we organized this paper around the following blocks: First, we contrast three different types of service encounter structures: informal/spontaneous, standardized, and minimally structured. Next, we advance to the empirical part, explaining how two studies were carried out to test which type of structure produces better **XXXXX** perceptions of service quality and job satisfaction. The paper closes with a discussion of the implications, namely the apparent effectiveness of minimal structures.

STRUCTURING THE SERVICE ENCOUNTER

The service encounter may be structured in three ways: spontaneous/informal, standardized, and minimally structured. In the case of standardized service, the front-line employee has to perform all the service requirements according to procedures pre-defined in manuals, his/her evaluation assessment being done by an analysis of the gaps in relation to established behaviors. This type of structure imposes high levels of stress on the employee (Schneider and Bowen, 1995), but allows customers to always expect a given and stable level of service (Lashley, 1997). This structure has been discussed by Levitt (1972), who adapted an industrial logic of production to service management.

In the spontaneous approach, the front-line employee has no explicit instruction about how he should behave at the time of the service encounter. He performs according to his/her *a priori* abilities, on-the-job learning and “discernment”. This absence of structure can be the result of: (1) poor management of service encounters, or (2) an attempt to accomplish a participative management and employee empowerment policies and practices. This second situation is more likely when the organization aims to provide completely customized solutions for idiosyncratic customer needs.

The third approach, the minimally-structured service, defines a small number of “big” rules which establish the fundamental rules of service (Kamoche and Cunha, 2001), but simultaneously allows the levels of creativity and adjustment necessary to respond to each specific situation within clear boundaries. The definition of behavior guidelines allows front-line employees to adjust the service interaction, while it takes place (John *et al.*, 2006), to the customer’s specific needs, while staying within known parameters (e.g., deadlines, individual responsibilities, goals). Many customers search for a service approach that recognizes them as individuals with distinct needs and stimulates the challenge of behavior flexibility

(Lovelock *et al.*, 1999) within “professional” parameters defined by a trustworthy organization. In this case, the front-line employee knows the basic rules, but is free to adjust his/her behavior to each particular case and perform autonomously in matters such as discounts, orders, offers, etc. The front-line employee is also aware that with authority comes responsibility, being encouraged to use his/her authority in a responsible way, taking judicious and effective decisions concerning customers’ needs and wishes.

Behavioral flexibility leads to lower levels of employees’ stress, increases their job satisfaction, and decreases turnover (Schneider and Bowen, 1995). With relation to customers, behavior flexibility of front-line employees is expected to lead to the perception that superior service is being delivered. It is also expected that behavior flexibility leads to better customers’ perceptions about the service quality being delivered.

Companies may create customers’ dissatisfaction and/or lose them if employees are trained to use policies and rules that inhibit situationally specific behaviors, instead of being trained to base their behavior on principles that lead to customer satisfaction. In other words, they risk hampering service quality and customer satisfaction if they do not allow employees’ improvisation to occur when standardized solutions are inadequate.

A quality service strategy based on the use of minimal structures aims to improve service quality by improving employees’ real-response during the service encounter. This implies the empowerment of front-line employees within clear but minimal boundaries (Lashley, 1997). Edvardsson *et al.* (1994) stressed the relevance of this type of structure by pointing out the importance of general behavioral guidelines for employees, which simultaneously facilitate (a) consistency of response with the organizational service policy and strategy and (b) the flexibility necessary to respond to customers’ individual

problems/needs. Table 1 summarizes the features of the three types of service structures, presenting the minimal structure as a synthesis of freedom and control.

Table 1 about here

METHOD

Study 1

A simulation study was carried out to test the relationships between each type of structure and the service quality and job satisfaction. The type of structure is the independent variable, the dependent variables being job satisfaction and service quality perceptions (both from the employee and the customer's perspectives. Sixty-two university students (mean age: 22 years; 64% were women) volunteered to participate in the simulation.

The study started with a definition of the evaluation parameters for different types of structures and the elaboration of instruction manuals corresponding to each type. Next, a survey was conducted to assess: (1) expectations, the importance of attributes and perceptions related to service delivery in which the SERVQUAL scale was used (Parasuraman *et al.*, 1988); (2) job satisfaction based on Schneider, White, and Paul (1998) and Donovan *et al.* (1998).

Study 2

A correlational study was also carried out in an organizational setting for testing the relationships between (a) the three types of structures and (b) service quality and job

satisfaction. One hundred and five individuals participated. Mean age was 26 years, 80% being women. Their qualifications ranged from basic education (33%) to a graduate degree (3%). The aim of the second one was to have information about the different types of structures in an organizational setting and the service quality and job satisfaction they originated.

The second study is a correlational analysis conducted to test the correspondence between the theoretical framework used in Study I and the service encounter experience. Study II began with the development of a survey which allowed us to check the type of structure used to draw the sample based on the work of Schneider *et al.* (1998) and of Donovan *et al.* (1998). It was followed by data collection through the survey administration. The third step was data analysis.

Data analysis

Service expectations

Two factors, explaining 62.4% of the total variance, were extracted. The first factor (7 items), defined as “propensity for problem resolution,” explains 44.1% of the variance and contains the items referring to service delivery. The item “individualized attention” of the original scale was removed, which improved the internal consistency to $\alpha=0.89$. The second factor (3 items), defined as “performance ability,” explains 18.3% of the variance and contains the items related to the response speed ($\alpha=0.79$).

Employee perceptions

Three factors explaining 64.1% of the total variance were extracted. The third one (2 items) was removed from the analysis due to a low internal consistency ($\alpha=0.56$). The factors that remained in the analysis were: (1) the first one, named “performance ability” (4 items), includes items such as adequate knowledge to perform the job, understanding customers’ needs, and the importance of a good “first” performance ($\alpha=0.79$); (2) the second one (4 items), which explains 24.6% of the variance, was defined as “problem resolution”, including items such as help availability and the ability to solve customers’ problems ($\alpha=0.77$).

Customer Perceptions

Two factors were extracted, explaining 57% of the total variance. The first one (7 items), containing items related to the availability of the front-line employee, was named “performance ability” and explains 29.5% of the variance ($\alpha=0.82$). The second one (4 items) contains items such as “first” performance and understanding customers’ needs, being designated as “problem resolution availability” and explaining 25.3% of the total variance ($\alpha=0.82$).

Job satisfaction

Three factors were extracted, explaining 55.3% of the total variance. The third one (2 items), representing 13.1% of total variance, was removed from the analysis because it presented a low coefficient of internal consistency ($\alpha=0.56$). The first factor (6 items) was called “performance conditions” and explains 27.8% of the variance, including items related to physical surroundings and work elements, performance instructions, and help from supervisors ($\alpha=0.82$). The second factor (3 items) was defined as “performance autonomy.”

After removing one of the original scale items (“type of supervision”) the internal consistency coefficient improved from 0.71 to 0.81.

The average comparative analysis, intended to verify if significant differences between the variables “front-line employees’ perceptions,” “customers’ perceptions” and “job satisfaction,” service quality, weighted and non-weighted since the importance given to the items comprising the scale, in relation to the variable “type of structure,” permitted the construction of Table 2 that summarizes the results. Although statistically significant differences exist only between absence of structure and minimal structure, in relation to the variables “front-line employees’ perceptions,” “job satisfaction,” and service quality, the means are always higher in the presence of minimal structures.

FINDINGS

Front-line employee’s perception

Two factors were extracted, explaining 61.7% of the total variance. The first factor (6 items), “problem resolution availability,” explained 34.7% of the variance and included the items related to the availability and performance of the front-line employee ($\alpha=0.89$). The second factor (4 items), “performance ability,” explained 27.1% of the variance and presented a Cronbach alpha of 0.75 after removing one item from the original scale.

Job satisfaction

Three factors were extracted, explaining 57.6% of the total variance. The second (4 items) and the third factor (2 items) were deleted from the analysis because their low

reliabilities (0.59 and 0.60, respectively). The first factor (5 items), “performance conditions,” explained 25.7% of the total variance ($\alpha=0.82$).

Type of structure

Two factors were extracted, explaining 57.7% of the total variance. The first factor (4 items), “superior control,” explained 34.7% of the variance, and presented a reliability of 0.78, after removing the “supervisor’s presence” item from the original scale. The second factor (3 items), named “free performance,” explained 23.1% of the variance, and after deletion of the “limited assignment definition” item, the Cronbach alpha changed from 0.52 to 0.62. This factor was kept because it contained important items at a theoretical level such as “work suggestions” and “autonomy of decision.”

A cluster analysis with no imposition on the number of clusters was carried out to identify different combinations of “complete information and superior control” (factor 1) and “higher freedom to perform” (factor 2). Four clusters were selected taking into account the dendrogram analysis. Cluster I was named “Standard Structure” because it presents a positive score in factor 1 and a negative score in factor 2. Cluster II was named “Lack of Structure” because it presents positive scores in both factors. Cluster III was named “Hybrid Structure” because it presents negative scores in factor 1 and factor 2. Cluster IV was named “Minimal Structure” because it presents a negative score in factor 1 and a positive score in factor 2 (see Table 3).

Table 3 about here

Means of “front-line employee perception,” “job satisfaction,” and service quality (weighted and non-weighted) were compared and analyzed in relation to the variable “Type of structure” taken from the cluster analysis (see Table 4).

Table 4 about here

RESULTS

Study 1

The factors extracted from the principal component factor analysis referring to the expectations and perceptions of front-line employees and of customers can be subsumed as: (1) “problem resolution availability”; and (2) “performance ability”. The existence of a positive relation between service quality perceptions of customers and front-line employees (Schneider and Bowen 1995) is confirmed in this study since both value the same factors in service encounters.

Concerning job satisfaction, the results from the factor analysis of principal components can be summarized into: (1) “performance conditions”; and (2) “autonomy,” which are substantially different from the components related to expectations and perceptions and concern service structures. They are to be analyzed autonomously.

Expectations and front-line employees’ and customers’ perceptions

Problem resolution availability: The relevance of this factor confirms the relationship between the way front-line employees’ interact with the customer and the relationship between failure and service recovery (Schneider and Bowen, 1995; Cunha, *et al.*, 2008), with the construction of service quality expectations and perceptions (Lovelock *et al.*, 1999; Ross,

1994). The existence of this factor brought up the privileged position of front-line employees in understanding customer needs and behaviors so they can offer a more adequate service and be able to solve tensions and conflicts (Lashley, 1997). This factor also highlighted the influence of organizational culture on the quality of the service performed (Lovelock *et al.*, 1999; Edvardsson *et al.*, 1994).

Performance ability: This factor reinforces the importance of human resources management policies to service quality. The value assigned to the front-line employees' knowledge and to their ability to perform a job, illustrates the importance of hiring and training processes. This, in turn, leads also to a relationship between front-line employees' willingness and skills and their effects upon service encounters (Lovelock *et al.*, 1999). In addition, investments in selection and training as well as in technical and interpersonal skills are important and must be rewarded in the long run (Lashley, 1997). Another issue reinforced by the emergence of this factor relates to the influence of service quality on customer perception in relation to competence, attitudes, and motivation of the individuals with whom they interact (Edvardsson *et al.*, 1994).

Job satisfaction

Performance conditions: This factor reveals that some "basic" work conditions are needed for the individual to feel satisfied with his/her job performance. These conditions are related to the work environment, the working technology, and the instructions and assistance the supervisor offers. These elements confirm the importance of the service space (Bitner, 1992).

Autonomy: This factor is related to empowerment (Lashley, 1997) and to the attribution of more autonomy and responsibility to the individuals who interact with customers (Cotton, 1993). The job itself may be a source of employee motivation and

satisfaction (Hackman and Oldman, 1980). Schneider and Bowen (1995) pointed out that behavioral flexibility increases job satisfaction and decreases turnover, thus providing employees with the necessary motivation to offer higher quality service. This factor can also be articulated with the concept of minimal structures (Kamoche and Cunha, 2001), where the attribution of more autonomy and responsibility to the front-line employee is something inherent in this type of structure.

Means comparison

The comparison of means indicates that the front-line employee's perception of service quality is higher in the presence of minimal structures. Statistically significant differences exist between absence of structure and minimal structure. Considering the definition of minimal structures as structures that synthesize high degrees of control and freedom, and allow for customized service, it seems appropriate to use this type of structure to give front-line employees the opportunity to respond more adequately to problems customers raise in order to increase service quality.

Concerning the perception of service quality from the customer's perspective, the mean values are higher in minimal structures. The differences, however, are not statistically significant. In the same way, the perception of service quality from the front-line employee's perspective is higher when flexibility and adaptability of the individual's behavior is allowed. Customers consider that these behaviors positively influence their perceptions of service quality. The adoption of a service encounter philosophy, which simplifies problem solving and employee autonomy (Brownell, 1999), reinforces the level of service quality.

The same analysis was performed for job satisfaction, showing that the means were higher with minimal structures, although differences are statistically significant only for the comparison between lack of structure and minimal structure. Considering the relationship

between front-line employee's satisfaction, the "quality cycle" (Ross, 1994; Heskett *et al.*, 1994), and the use of the job itself as a source of motivation (Cotton, 1993), the assignment of more autonomy and responsibility to front-line employees is compatible with the definition of a minimal structure (Kamoche and Cunha, 2001). The means comparison analysis through the definition of service quality showed that both front-line employees and customer satisfaction are higher in the presence of minimal structures. Even when service quality is weighted by the importance of the factors (Cronin and Taylor, 1994; Hemmasi and Strong, 1999), conclusions remain the same.

Study II

The principal components factor analysis revealed the existence of three factors, two related to the front-line employee perception and one to job satisfaction.

Front-line employee perception

Problem resolution availability: The existence of this factor is related to the importance of the front-line employee's performance in the evaluation of the service encounter (Lovelock *et al.*, 1999; Ross, 1994). The attitude and behavior of the staff transmits to the customers information regarding service quality (Edvardsson *et al.*, 1994). It can also be noted that problem resolution contributes to the perception of service quality, which is more affected by front-line employee's reactions to customers' dissatisfaction than by the incident itself (Edvardsson *et al.*, 1994). The ability to solve diverse problems that can occur through training, flexibility, and job enrichment (Lashley, 1997), will lead to a better fit of front-line employee behavior with customer expectations. This way they can do what it takes to satisfy customers. This may contribute to greater interest in helping customers and solving their problems.

Performance ability: This factor is related to technical and interpersonal skills of front-line employees in order to perform their duties. Through the management of selection, training, and motivation, this issue is integrated with human resource management (Lovelock *et al.*, 1999). When front-line employee training is neglected, service interaction encounters depend on the service provider's *a priori* abilities. On the other hand, Zeithmal and Bitner (1996) presented a human resources-based strategy whose goal is to “develop people to provide a quality service,” which is divided into “to train for technical and interpersonal skills” and “employees’ empowerment,” in such a way that the necessary skills will be provided to front-line employees. Authors such as Edvardsson *et al.* (1994) link front-line employees’ competence, attitudes, and motivations in the sense that they deliver service quality information to customers.

Job satisfaction

The factor resulting from the job satisfaction (“*performance conditions*”) analysis is related to work conditions, which embodies work environment, technologies, instructions, and assistance given by the supervisor. The participants consider them essential to their satisfaction level.

Means comparison

A comparison of mean values shows that the mean of the front-line employees’ perception is higher under minimal structuring. Statistically significant differences have been obtained between the minimal structure and the maximal and hybrid structure, and in relation to the lack of structure and the hybrid structure. Concerning job satisfaction, this analysis shows a higher mean in the case of lack of structure. Mean differences are invariably statistically significant in the case of this type of structure. With respect to service quality, the

mean is higher with minimal structures, and there are significant differences between the minimal structure and the lack of structure in relation to the standard and hybrid structures.

CONCLUSION

We analyzed the influence of different service encounter structures on the perception of service quality. Considering the relation between front-line employees' satisfaction, customer satisfaction, and service quality perceptions, we also examined the extent to which front-line employee satisfaction is higher when employees work with minimal structures.

In every situation, the use of minimal structures generated a greater level of satisfaction in the situations tested. Regarding the front-line employee's perception, since minimal structures allow more freedom of action, more flexible and customized behavior is allowed. The use of minimal structures apparently allows front-line employees to respond more adequately to problems customers raise. As a result, it can be said that minimal structures increase the perceptions of service quality.

Job satisfaction is higher when minimal structures are used. This result suggests that if we consider that autonomy is a powerful source of motivation and satisfaction, and because rules and procedures are not used to restrain behavior, but to frame it, then positive impacts may ensue. Theoretically, the characteristics of minimal structures allow the organization to change the way it manages front-line employees. Considering the results obtained from a comparison of mean values, it can be observed that, except for the fact that job satisfaction presented a higher mean when the front-line employees worked with no structure, the perception of service quality (both weight and non-weight) is higher when minimal structures are in place.

The use of the type of service encounter structure is conditioned by the worker's qualifications and by the type of product and/or service the organization offers. For example, the use of maximum structures can be a compelling factor in the creativity of individuals, but its application will be successful in organizations that intend to offer its customers a specific product or service that they desire in such a way they can have greater control over what they expect of the service encounter.

Our study suggests that the use of minimal structures strengthens front-line employee and customer satisfaction, and improves service quality. However, some shortcomings may limit the robustness of our findings. In particular, we used different samples with respect to age and qualifications of the participants, which, together with the different nature of the studies, may undermine their representation.

Future research may test the extent to which front-line employees are willing to accept performance responsibility and empowerment, and what contingencies facilitate or hinder the adoption of minimal structures. Another study that can be developed is related to the influence of variables, such as the type of product/service, dimension, culture, and organizational structure, the qualifications of human resources, and the type of customer in the definition of the attendance structure. Different types of structures might also be related to the type of business and to the evolution of companies and conformance with their objectives.

TABLES

Table 1

Features of the three types of service structures

	STANDARD STRUCTURE	LACK OF STRUCTURE	MINIMAL STRUCTURE
EMPLOYEE AUTONOMY	Low	High	Adequate to the job
EMPLOYEE FREEDOM TO PERFORM/TAKE DECISIONS	Low	High	The necessary level for handling customer situation/needs
EMPLOYEE FREEDOM VERSUS CONTROL PREVALENCE	Control	Freedom	Synthesis of freedom and control
EMPLOYEE RESPONSIBILITY	Low	High	For its performance
HIERARCHICAL DEPENDENCY	Total	Total	Just in exceptional situations
PERFORMANCE DEFINITION	Total (manual of procedures)	Non-existent	Work philosophy
TRAINING	Manual of procedures	Non-existent	In the importance of the client to the organization and to the elements of the structure
<i>TIMING OF PERFORMANCE</i>	Manual of procedures	Non-existent	The necessary to handle situations

Table 2
Comparing mean scores of the three structures

	Standard structure (A)	Lack of structure (B)	Minimal structure (C)	Differences between the three types of structures
Front-line employee's perception	5,993	5,767	6,146	C>B
Customer's perception	5,686	5,668	5,909	
Job satisfaction	5,266	5,069	5,439	C>B
(P-E) front-line employee	0,158	-0,069	0,310	C>B
(P-E) x I front-line employee	0,614	0,050	1,240	
(P-E) customer	-0,149	-0,168	0,073	
(P-E) x I customer	-0,281	-1,203	0,305	

Table 3
Results of cluster analysis

	Cluster			
	I	II	III	IV
Factor 1 Structure	0,79146	0,73711	-0,75750	-1,22204
Factor 2 Structure	-1,64142	0,58696	-0,51490	0,61860

Table 4
Summary of means differences analysis

	Cluster I Standard Structure	Cluster II Lack of Structure	Cluster III Hybrid Structure	Cluster IV Minimal Structure	Clusters Differences
Mean of front-line employee's perception	4,705	5,997	4,973	6,040	IV>III,I II>III
Mean of Job satisfaction	4,849	5,691	4,655	4,9812	II>I,III,IV
Mean of (P-E) front-line employee	-1,131	0,162	-0,863	0,204	IV,II>I,III
Mean of (P-E)*I front-line employee	-3,909	1,131	-3,927	1,504	IV,II>I,III